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BRADY RADCLIFF & BROWN LLP  
LAWYERS

SURFACE TRANSPORTATION BOARD

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CLIFFORD C. BRADY  
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June 30, 2010

Ms. Barbara Saddler  
Surface Transportation Board  
395 E Street, SW  
Washington, DC 20024

Dear Barbara,

Enclosed for recording with the Surface Transportation Board is a Security Agreement dated June 23, 2010, a primary document as defined in the Board's Rules for the Recordation of Documents. The filing fee of \$41.00 should be placed on our account (Brady Radcliff & Brown LLP). Please send us a statement of charges on our account so that it may be paid timely.

The names and addresses of the parties to the enclosed document are:

Lender: Hancock Bank of Alabama  
127 Dauphin Street, Suite 101  
Mobile, Alabama 36602

Grantor/  
Debtor: Walter Haffner Company  
P.O. Box 16111  
Mobile, AL 36616-1611

Additional  
Debtor: RailSouth Capital, LLC  
P.O. Box 16111  
Mobile, AL 36616-1611

Equipment: Two total railcars: identified and described in Exhibit A.

Summary: Security Agreement dated June 23, 2010 between Hancock Bank of Alabama as Lender, Walter Haffner Company as Grantor/Debtor, and RailSouth Capital, LLC as Debtor including 2 Railcars attached hereto.

Yours truly,

Clifford C. Brady  
Attorney for Hancock Bank of Alabama

CCB/ebb/ Enclosures

1600 WACTOVIA BUILDING  
61 SAINT JOSEPH STREET  
MOBILE, ALABAMA 36602

POST OFFICE BOX 1668  
MOBILE, ALABAMA 36633

TELEPHONE: 251.405.0077  
FACSIMILE: 251.405.0076  
[WWW.BRBLAWYERS.COM](http://WWW.BRBLAWYERS.COM)

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**Exhibit A**

**Equipment:** 23,500 gallon Carbon Steel Tank Cars

**Quantity:** Two (2)

<u>Count</u>	<u>Car</u> <u>Mark</u>	<u>Car</u> <u>Number</u>	<u>Built</u> <u>Date</u>
1	WCHX	23411	1978
2	WCHX	23412	1978

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## SURFACE TRANSPORTATION BOARD

**Walter Haffner Company***Physical Address:*

3510 Montlimar Plaza Drive

Mobile, Alabama 36609

*Mailing Address:*

P.O. Box 16111

Mobile, AL 36616

(Hereinafter referred to as "WHC")

**Hancock Bank of Alabama**

127 Dauphin Street, Suite 101

Mobile, Alabama 36602

(Hereinafter referred to as "Bank")

**SECURITY AGREEMENT**

This Security Agreement is made this 23 day of June, 2010 by Walter Haffner Company, a Delaware Corporation, hereinafter referred to as "WHC," in favor of Hancock Bank of Alabama ("Bank").

Whereas, RailSouth Capital, LLC ("RailSouth"), has executed a Promissory Note in the principal amount of \$42,000.00 in favor of Bank dated the 23 day of June, 2010 to fund the purchase of certain rail cars by WHC described in Exhibit A attached hereto;

Whereas, WHC will enter into certain Lease Agreements with Daybrook Holdings, Inc., on the rail cars described in Exhibit A attached hereto;

Whereas, in order to induce Hancock Bank to extend credit to RailSouth as evidenced by the Promissory Note referenced herein, and in consideration for the loan to RailSouth and to secure the obligations of RailSouth to Hancock Bank evidenced by the Promissory Note and loan documents, WHC, Walter C. Haffner, Jr. and Walter C. Haffner III. have jointly and severally guaranteed the obligations of RailSouth to Hancock Bank under the Promissory Note and other loan documents referenced herein;

Whereas, in order to induce Hancock Bank to extend credit to RailSouth as evidenced by the Promissory Note referenced herein, and in order to secure its guaranty of the obligations under the Promissory Note and other Loan Documents of RailSouth to Hancock Bank, WHC has agreed to grant Bank a security interest in the rail cars described in Exhibit A and other contractual rights set forth in its Lease Agreement with Constellation.

Now, therefore, to secure payment of all obligations and liabilities of RailSouth to Bank and to secure the guaranty obligations of WHC to Bank with respect to the guaranty of the indebtedness of RailSouth to Bank, direct or contingent, due or to become due, now existing or hereafter arising, including, without limitation, all future advances, with interest, attorneys' fees, expenses of collection and costs, and further including, without limitation, obligations to Bank on promissory notes, checks, overdrafts, letter-of-credit agreements, loan agreements, security documents, collateral assignments of rents and contract rights, endorsements, continuing guaranties and this

Security Agreement (collectively, the "Obligations"), WHC pledges to Bank, and grants to Bank a continuing security interest in, and a right of set-off and compensation against, (a) all property of WHC or in which WHC has an interest that is now or hereafter on deposit with, in the possession of, under the control of or held by Bank, including, without limitation, all cash, deposit accounts, funds on deposit, stocks, bonds, treasury obligations, and other securities, investment property, financial assets, securities accounts, notes, documents, instruments, certificates of deposit, items, chattel paper, and other property (except IRA, pension, and other tax-deferred retirement accounts) and (b) the following described property, now or hereafter owned by WHC and wherever located:

☐ all accounts, inventory and chattel paper ☐ all chattel paper

☒ all property described on Exhibit A ☒ all general intangibles

☐ all documents ☒ all equipment described on Exhibit A

together with all property added to or substituted for any of the foregoing, and all interest, dividends, income, fruits, returns, accessions, profits, corporate distributions (including, without limitation, stock splits and stock dividends), products and proceeds of any of the foregoing (collectively, "Collateral"). The terms "accounts," "instruments," "account WHC," "documents," "equipment," "general intangibles," "inventory," "chattel paper," "investment property," "deposit accounts," "securities accounts," "financial assets" and "proceeds" shall have the meanings provided in the Alabama Uniform Commercial Code.

All Collateral shall remain subject to this Security Agreement until all of the Obligations have been paid and any financing statements filed in connection with this Security Agreement have been terminated. Bank may renew certificates of deposit or other renewable items included in the Collateral. All interest, dividends, income, fruits, returns, accessions, profits, corporate distributions (including, without limitation, stock splits and stock dividends), and proceeds with respect to the Collateral shall be delivered upon receipt to Bank in negotiable form. WHC shall execute any endorsements, assignments, stock powers and financing statements with respect to the Collateral, in form and substance satisfactory to Bank, that Bank may request.

WHC represents and warrants that (a) Bank shall at all times have a perfected first priority security interest in the Collateral free of all other security interests, liens and claims, and (b) the description and identification of the Collateral and WHC's name, social security or taxpayer identification number, and principal residence or chief executive office are correctly stated herein. WHC shall act to toll the statute of limitations with respect to the Collateral no later than sixty (60) days prior to the date on which enforcement would be barred, and shall execute any additional documents reasonably required to perfect the security interest of Bank in the Collateral. WHC represents that the Collateral is in good repair and condition and that WHC shall use reasonable care to prevent Collateral from being damaged or depreciating, normal wear and tear excepted. WHC shall immediately notify Bank of any material loss or damage to Collateral. Should any Collateral decline in value after the date of this Security Agreement, WHC shall, within five (5) days after receiving notice from Bank of such decline in value, grant a security interest in additional property satisfactory to Bank. WHC authorizes Bank, in its sole discretion (a) to notify the obligor on any Collateral to make payments directly to Bank; (b) to receive and recover any money or other property at any time due with respect to the Collateral and in connection therewith, endorse notes, checks, drafts or other evidence of payments; and (c) to settle, adjust and compromise, in Bank's sole discretion, all present and future

claims arising with respect to the Collateral. To the extent that any stocks, bonds or other securities are included in the Collateral, WHC (a) covenants not to vote any Collateral in any manner that would adversely affect Bank's rights and (b) authorizes Bank, in its discretion, to transfer to or register in its name or the name of its nominee any of the Collateral, with or without indication of the security interest herein created. Bank is not obligated to take any of the foregoing actions or to preserve WHC's rights with respect to the Collateral including, without limitation, rights against prior parties and shall not be liable in any manner with respect to the Collateral. Any responsibility of Bank with respect to the Collateral, whether arising contractually or as a matter of law, is hereby expressly waived.

If WHC's accounts are subject to this Security Agreement, WHC agrees to administer its accounts and the proceeds thereof in a fiduciary capacity for Bank, take all actions necessary to collect the accounts, and immediately deposit all proceeds of the accounts into WHC's deposit account with Bank. Upon request, WHC shall at any time (a) furnish to Bank within ten (10) days a list of the accounts, showing the name, address and the amount owed by each account WHC, and (b) mark on all bills, invoices and statements issued in connection with the accounts that the account is subject to a security agreement with Bank and is payable to Bank at Bank's address. If WHC accepts chattel paper or instruments in payment of accounts, goods or services, WHC shall promptly deliver all such chattel paper and instruments to Bank in negotiable form.

WHC shall at all times permit Bank, its officers and agents, access to the Collateral and to all books, records and data relating to the Collateral, for inspection and for verification of the existence, condition and value of the Collateral. WHC shall furnish all assistance and information that Bank may require to conduct such inspections and verifications. Upon request, WHC, at its expense, shall cause or permit an independent certified public accountant, appraiser or other expert selected by Bank to prepare and deliver to Bank a verification of the existence, condition or value of the Collateral.

WHC shall not alienate or encumber the Collateral, except for sales of inventory, goods or services in the ordinary course of WHC's business. WHC shall not create or permit to exist any lien, claim or security interest on the Collateral except in favor of Bank. WHC shall not, without the prior written consent of Bank (a) change WHC's domicile, name, legal form or taxpayer identification number, (b) move the location of its principal place of business or chief executive office, or (c) move the Collateral from the locations disclosed on Schedule 1.

If WHC or RailSouth defaults in the timely payment or performance of any of the Obligations, or if any warranty or representation of WHC or RailSouth to Bank should be untrue at any time, then, at the option of Bank, the Obligations shall be immediately due and payable in full without notice or demand, and Bank (a) may sell, assign, transfer and effectively deliver all or any part of the Collateral at public or private sale, without recourse to judicial proceedings and without demand, appraisement or advertisement, all of which are hereby expressly waived by WHC to the fullest extent permitted by law, and (b) may cause all or any part of the Collateral to be seized and sold, under writ issued in execution of judgment obtained upon the Obligations, or under other legal procedure. WHC grants to Bank an irrevocable power of attorney (coupled with an interest) to exercise, after default, at Bank's sole discretionary option and without any obligation to do so, all rights that WHC has with respect to the Collateral, including, without limitation, the right to exercise all rights of inspection, deriving from WHC's ownership of or other interest in the Collateral. If the proceeds from the sale or enforcement of the Collateral are insufficient to satisfy all of the

Obligations in full, all parties obligated thereon shall remain fully obligated for any deficiency. The rights and remedies of Bank hereunder are cumulative, may be exercised singly or concurrently, and are in addition to any rights and remedies of Bank under applicable law.

Without releasing or affecting any of its rights, Bank may, one or more times, in its sole discretion, without notice to or the consent of WHC or RailSouth, take any one or more of the following actions: (a) release, renew or modify the obligations of WHC, RailSouth or any other party; (b) release, exchange, modify, or surrender in whole or in part Bank's rights with respect to any collateral for the Obligations; (c) modify or alter the term, interest rate or due date of any payment of any of the Obligations; (d) grant any postponements, compromises, indulgences, waivers, surrenders or discharges or modify the terms of its agreements with WHC or RailSouth; (e) change its manner of doing business with WHC, RailSouth or any other party; or (f) impute payments or proceeds of any collateral furnished for any of the Obligations, in whole or in part, to any of the Obligations, or retain the payments or proceeds as collateral for the Obligations without applying same toward payment of the Obligations, and WHC hereby expressly waives any defenses arising from any such actions. The obligations of WHC hereunder shall be joint and several and shall bind and obligate WHC's successors, heirs and assigns. No failure on the part of Bank to exercise, and no delay in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by Bank or any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any right, power or remedy. The remedies herein provided are cumulative and are not exclusive of any remedies provided in law, in equity, or in other Loan Documents. Bank may assign and transfer the Collateral to an assignee of any of the Obligations, whereupon such transferee shall become vested with all powers and rights granted to Bank under this Security Agreement. No waiver, amendment or modification of any provision of this Security Agreement shall be valid unless in writing and signed by WHC and an officer of Bank. No waiver by Bank of any Default shall operate as a waiver of any other Default or of the same Default on a future occasion. All rights of Bank hereunder are freely assignable, in whole or part, and shall inure to the benefit of and be enforceable by Bank, its successors, assigns and affiliates. WHC shall not assign its rights and interest hereunder without the prior written consent of Bank, and any attempt by WHC to assign without Bank's prior written consent is null and void. Any assignment shall not release WHC from the Obligations. This Security Agreement shall be binding upon WHC, and the heirs, personal representatives, successors, and assigns of WHC. This Security Agreement shall be governed by the internal laws of the State of Alabama, provided that where Collateral is located in a jurisdiction other than Alabama, remedies available to Bank hereunder and under the laws of such jurisdiction shall be available to Bank without regard to any restriction of Alabama law. If any provision of this Security Agreement shall be held to be legally invalid or unenforceable by any court of competent jurisdiction, all remaining provisions of this Security Agreement shall remain in full force and effect.

In witness whereof, WHC has caused this Security Agreement to be executed under seal on this 23 day of June, 2010.

{SIGNATURE PAGE TO FOLLOW}

Hancock Bank

By: [Signature]  
As Its: St. Vice President

Walter Haffner Company:

By: Walter C. Haffner, III  
As Its: Vice President

I, Walter C. Haffner, III certify that I as Vice President of Walter Haffner Company, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that the instrument was signed and sealed on behalf of the corporation by authority of its Board of Directors/members and that I acknowledge that the execution of the foregoing instrument was the free act and deed of the corporation. I further declare (certify, verify or state) under penalty of perjury that the foregoing is true and correct Executed on the 23<sup>rd</sup> day of June, 2010.

[Signature]

RailSouth Capital, LLC:

By: Walter C. Haffner, III  
As Its: Member

I, Walter C. Haffner, III certify that I as Member of RailSouth Capital, LLC, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that the instrument was signed and sealed on behalf of the corporation by authority of its Board of Directors/members and that I acknowledge that the execution of the foregoing instrument was the free act and deed of the corporation. I further declare (certify, verify or state) under penalty of perjury that the foregoing is true and correct. Executed on the 23<sup>rd</sup> day of June, 2010.

[Signature]